CHAPTER-IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Fraudulent drawal/misappropriation/embezzlement/losses

PANCHAYATI RAJ DEPARTMENT

4.1.1 Advances given by Panchayat Samities lying unrecovered

Non-maintenance/improper maintenance of advance ledgers/registers at the Block level led to unadjustment of advances of Rs.6.46 crore as of 31 March 2003.

The Orissa Zilla Parishad and Panchayat Samiti Accounting Procedure Rules provide for maintenance of an advance ledger at the Block level to keep account of money advanced to contractors and other individuals. Such accounts were to be balanced quarterly and signed by the Block Development Officer (BDO). At the close of every quarter, a list of outstanding advances was to be prepared in Form No.XIII (advance register). The BDO was responsible for prompt and regular recovery of unadjusted advances.

Test check of records (between March 2003 and February 2004) of 17 Panchayat Samities revealed that an amount of Rs.6.46[20] crore was outstanding as advance as of 31 March 2003. The details such as the persons to whom the advances were paid, the purpose and dates of payment etc. could not be verified due to non-maintenance and improper maintenance of the advance ledger. It was, however, gathered from one Samiti that advances had been outstanding ever since 1961-62. Though the Government issued instruction in May 1998 for updating of advance ledgers and their verification by the concerned BDOs, that was not carried out.

In the absence of relevant details, the prospect of recovery or adjustment of these advances would be remote and non-maintenance of these records and details could lead to misappropriation. In fact, it was observed in audit that even the Local Fund Audit wing of the State Government commented on the non-maintenance/improper maintenance of the Advance Ledgers in various

[20]
1. BDO, Jagatsinghpur Rs.24.40 lakh
2. R. Udaygiri Rs.14.70 lakh
3. Pottangi Rs.8.65 lakh
4. Gurundia Rs.37.18 lakh
5. Bheden Rs.47.60 lakh
6. Lathikata Rs.32.55 lakh
7. Muribahal Rs.63.88 lakh
8. Nandahandi Rs.41.70 lakh
9. Tangarpalli Rs.60.68 lakh
10. Lephripada Rs.38.14 lakh
11. Sahapara Rs.56.75 lakh
12. Naktideul Rs.13.68 lakh
13. Dunguripali Rs.130.65 lakh
14. Sanakhemundi Rs.9.22 lakh
15. Baliapal Rs.5.22 lakh
16. Khunta Rs.8.41 lakh
17. Koksara Rs.52.85 lakh

Panchayat Samities. The BDOs, however, did not adhere to the Accounting Rules and the procedures in the management of cash and maintenance of advance ledgers. It was also a failure on the part of the Inspecting Officers (Sub-Collectors) since such irregularities were not brought out in their Inspection notes. This resulted in the accumulation of outstanding advances amounting to Rs.6.46 crore. At this stage, correct adjustment can hardly be made, leaving wide scope for misappropriation of Government money.

Government stated (September 2004) that the concerned BDOs would be directed to take immediate steps to adjust/recover the outstanding advance.

AGRICULTURE DEPARTMENT

4.1.2 Unauthorised and doubtful transactions without drawing and disbursing power

The Junior Engineer of the Soil Conservation Sub-division, G. Udayagiri while unauthorisedly adjusted outstanding works advances of Rs.23.90 lakh covering 1050 sub-vouchers relating to 1989-2003 in the cash book without proper check measurement; amounts of Rs.9.25 lakh and Rs.0.16 lakh were also drawn by the JE without authority from the bank and the treasury.

As per Codal provisions, the Director, Soil Conservation, Orissa is the competent authority to declare an Assistant Soil Conservation Officer (ASCO) of a Soil Conservation Sub-division as the Head of Office with drawing and disbursing (DDO) power. The DDO is to check the accounts rendered in respect of advances paid to officials for different works before accepting the amount accounted for as final expenditure. In respect of adjustment of works advances, the ASCO being the sub-divisional officer is to check measure 50 *per cent* of the measurements made by the Junior Engineer (JE) and satisfy himself that the work has actually been executed as per specifications and design.

Scrutiny of records (June 2003) of the ASCO, G. Udayagiri and information collected in May 2004 revealed that consequent upon the death of the then ASCO who was the DDO on 26 December 2002, the Soil Conservation Officer (SCO), Phulbani authorised (14 January 2003) the JE of the sub-division to effect payment of wages to labourers for ongoing works under various schemes. As per the SCO's order, the JE was to obtain prior "permission and approval" of the SCO before payment of wages or entering into any other financial transaction. The JE acted as the ASCO from 14 January 2003 to 18 February 2003 the date from which the Director, Soil Conservation posted a regular ASCO as the Head of Office with drawing and disbursing powers.

During the period of holding the above charge, the JE unauthorisedly adjusted outstanding advances of Rs.23.90 lakh by showing the same as final expenditure on the payment side in the cash book covering 1050 sub-vouchers relating to the period 1989-2003. These sub-vouchers pertained to water harvesting structures, diversion weir, check dam, renovation of tank etc. All these works were executed departmentally under different schemes[21]. Out of the above, the JE adjusted sub-vouchers worth Rs.12.63 lakh after passing orders for payment without check measurement of the competent authority. The adjusted amount included sub-vouchers for Rs.9.67 lakh against the advances taken by the JE himself. Besides, on the strength of the SCO's authorisation he drew Rs.9.25 lakh from the bank account and also paid Rs.9.32 lakh as advances including Rs.5.25 lakh to himself during the above period. All these transactions were carried out by the JE without the prior permission and approval of the SCO, as enjoined by the latter.

Thus, in disregard of the codal provisions and the specific orders of his superior officer, the JE unauthorisedly effected financial transactions of Rs.33.38 lakh (Rs.23.90 lakh + Rs.9.32 lakh + Rs.0.16 lakh). This became possible as the subordinate staff were paid advances indiscriminately from time to time without watching their adjustment for over 13 years which indicated total failure of the internal control mechanism; in particular the adjustment of the advance of Rs.9.67 lakh taken by the JE himself was against all norms of financial propriety. Besides, the correctness of the accounting entries in adjustments of vouchers without check measurement by competent authority was doubtful and merited investigation.

The ASCO admitted (June 2003) the facts pointed out in audit

The Principal Secretary to the Government, during discussion (September 2004) admitted the fact and stated that the Government had initiated action to conduct a special audit of the transactions made by the JE and suitable action would be taken to recover the amount involved in irregular transactions after receipt of the Audit Report.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.1.3 Irregularities in bus service

Irregularities in the operation of passenger bus service by the Kendrapara Municipality resulted in loss of about Rs.33 lakh.

Between August 1991 and August 1993, the Kendrapara Municipality purchased four passenger buses and converted one existing mini truck purchased in February 1991 at a cost of Rs.2.94 lakh into a mini bus by incurring an expenditure of Rs.1.37 lakh. The buses were purchased with a loan of Rs.22.36 lakh from the Kendrapara Urban Co-operative Bank (Rs.8.11 lakh) and Syndicate Bank (Rs.14.25 lakh). As required under the loan agreement, the Municipality was to open two current accounts with the Banks and deposit the daily collection for periodical transfer to the loan accounts.

[21] (i) Calamity Relief Fund : Rs.2.07 lakh, (ii) Lift Irrigation : Rs.4.11 lakh, (iii) DPAP : Rs.0.29 lakh, (iv) Orissa State Forest Development Corporation : Rs.0.90 lakh, (v) SGRY : Rs.3.51 lakh, (vi) EAS : Rs.1.70 lakh, (vii) DPAP (FIA) : Rs.6.08 lakh, (viii) NWDPRA : Rs.4.89 lakh and (ix) others : Rs.0.35 lakh.

The Kendrapara Municipality was taken up for audit for the first time in October 2003 and the following were observed regarding the operation of the Municipal bus service.

Two current accounts opened in the banks for deposit of daily collection were not maintained regularly and finally stopped operation between January 1994 and May 1998. The Municipality spent Rs.23.95 lakh from its own sources towards repayment of loan and interest as well as repair and maintenance of the buses. It also had an undischarged liability of Rs.9.11 lakh on account of loan and interest to the Kendrapara Urban Co-operative Bank as of September 2003.

Since April 1992, the maintenance of the cash book and other accounts relating to the bus service was taken away from the cashier of the Municipality and entrusted to another official. Thereafter, the income and expenditure relating to the bus service were not reflected in the accounts of the Municipality. Supervision over maintenance of the cash book was also lax in as much as it was not seen or countersigned by the Executive Officer between 1994 and 1996 nor was any physical verification of cash conducted.

Against the normal life of about 15 years for a bus, the five buses acquired by the Kendrapara Municipality were utilised for periods between two and half years and five years. Thereafter, two buses were left in the premises of the Municipality "in skeleton shape" as mentioned by the Executive Officer in his report to the Government and one bus was sold to a school (April 1998). The whereabouts of the remaining two buses were not on record as of September 2003.

Though the Executive Officer reported (June 2002) the matter to the Government and requested for investigation and action against the officials involved in bus business, the Government did not take any action till May 2004 when the matter was raised in audit. Even then, the Government only called for information from the Municipality during May/June 2004 relating to the irregularities in the bus business.

Lack of proper maintenance of accounts and lack of accountability on the part of the Municipal Authority led to the failure of the fledgling Municipal bus service and Government's failure to take action, even when alerted, resulted in loss of Rs.33.06 lakh to the Municipality. The reason for lack of investigative or punitive action, in the context of total mismanagement and failure of the bus service was not clear.

Government stated (October 2004) that the Executive Officer, Kendrapara Municipality had recommended (September 2004) that the matter be referred to Crime Branch for investigation.

4.2 Infructuous/wasteful expenditure and overpayment

WATER RESOURCES DEPARTMENT

4.2.1 Unfruitful expenditure and undue favour to contractor

Unfruitful expenditure of Rs.9.43 crore due to non-completion of work and undue favour to a contractor towards non-recovery of Government dues of Rs.1.77 crore.

Kendrapara canal was proposed (November 1996) to be remodelled to carry additional discharge of 27 cumecs of water for providing irrigation to 15342 ha in Mahanadi Chitrotpala Island. The Executive Engineer (EE), Mahanadi Chitrotpala Island Irrigation Division No.I, Kendupatna, awarded (December 1998) the work "Remodelling of Kendrapara canal from RD 1650 metre to RD 11,887 metre" to a contractor at a cost of Rs.21.51 crore being 54 *per cent* excess over the estimated cost of Rs.13.93 crore for completion by November 2001 under the Orissa Water Resources Consolidation Project (OWRCP). The contractor failed to complete the work within the extended period (August 2003) and requested further extension of time upto June 2005 with a request for full closure of the canal for 6 ½ months at a stretch. Despite issue of notices, he did not resume the work and finally abandoned (August 2003) it after executing work worth Rs.9.43 crore (including escalation of Rs.1.17 crore). The Government did not sanction further extension of time involving second time closure of the canal for 6 ½ months since the contractor had failed to complete the work even after allowing such closure between December 2000 and July 2001. The contract was closed (February 2004) with penalty.

Check of records revealed (March 2004) that the contractor had executed 32 *per cent* work during the stipulated period and only five *per cent* during the extended period. As of the date of abandonment (August 2003), against the requirement of 4.70 lakh cum of earth work, 0.41 lakh cum of cement concrete lining, 9.85 km of roads and 25 structures, the contractor executed earth work for 4.57 lakh cum (without compaction), cement concrete (CC) lining for 0.10 lakh cum all in patches, road work only upto the sub base level and four structures. As a result of non-completion of cement concrete lining, the works executed in patches were damaged and the designed discharge could not be allowed in the canal. Thus, despite expenditure of Rs.9.43 crore, the remodelling of the canal remained incomplete due to contractor's failure to complete the work rendering the expenditure unfruitful.

Out of Rs.1.70 crore paid to the contractor towards mobilisation, secured and equipment advances, Rs.1.10 crore was pending recovery with interest as of April 2004. Further, penalty of Rs.2.65 crore imposed for non-completion of work was also to be recovered. Against the total recoverable dues of Rs.3.75 crore, contractor's Bank guarantee of Rs.1.40 crore valid upto July/August 2004 and the security deposit of Rs.0.58 crore were available with the department. No action had, however, been initiated to recover the balance of outstanding dues amounting to Rs.1.77 crore (June 2004).

Government confirmed the factual position and stated (September 2004) that action would be taken to protect the work done in patches, complete the balance of the works and recover the cost with penalty from the defaulting contractor.

COMMERCE AND TRANSPORT (COMMERCE) DEPARTMENT

4.2.2 Wasteful expenditure on cargo handling operation without any shipment activity

EE incurred wasteful expenditure of Rs.2.52 crore on cargo handling operation without any shipment activity in Gopalpur port.

Mention was made in para 4.2 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2002 regarding undue favour shown to a stevedore without any shipment activity in Gopalpur port.

Further check of records of the Executive Engineer (EE), Gopalpur port (Civil) Division in June 2003 revealed that the Government decided (September 2002) not to have any cargo handling operation at the Gopalpur port for the shipment season 2002-03 (October 2002 to March 2003) due to non-availability of traffic. Subsequently in October 2002, the Government decided to operate the port from January to March 2003 without firm assurance on availability of traffic and determining time schedule for export from M/s Indian Rare Earths Limited (IREL), who were the captive users of the port. Accordingly, the work of operation, manning and maintenance of the port crafts of Gopalpur port for the year 2002-03 was awarded (January 2003) to a stevedore at a cost of Rs.1.12 crore for completion by March 2003. The EE paid Rs.66 lakh to the stevedore as of March 2003. His final bill for Rs.46.57 lakh was pending as of August 2004. Besides, EEs (Civil and Mechanical) spent Rs.86.72 lakh during 2002-03 and Rs.53.05 lakh during 2003-04 on nominal muster rolls (NMR) and casual labour without any shipment activity.

On pursuance by Government (October 2002), M/s IREL had only indicated that they would make their efforts to garner maximum possible cargo for shipment from the port for the shipment season 2002-03 through normal port operation through the “channel”. The Government, however, allowed the port operation work for two and half months in deepwater jetty deviating from normal port operation through channel. Consequently, IREL did not nominate any shipment and expressed (February 2003) unwillingness to use the port for the 2002-03 season though in fact they had transported 27,746 MT of material by rail/road to other ports for shipment during the above contract period. Despite this, the contract with the stevedore for operation and manning was not closed which ultimately led to wasteful expenditure of Rs.2.52 crore including unpaid liability of Rs.46.57 lakh.

The Government stated (March 2004) that they decided to operate the port from January to March 2003 on receipt of indication from IREL to export minimum 10,000 MT of cargo and did not close the operation and manning contract on the ground of maintaining law and order. The normal port operation through navigation channel was shifted to deepwater berth considering shortage of time and anticipating low volume of cargo of only 10,000 MT from IREL. The reply was not acceptable since no firm assurance was obtained from IREL to use the port in deepwater berth and only four days' time was required for handling of 10,000 MT of cargo.

REVENUE DEPARTMENT

4.2.3 Infructuous expenditure on computerisation of land records and construction of training institute

Despite approval of Government of India and sanction of requisite funds by the State Government, the Department could not digitize the cadastral maps of two tehsils nor could they finish the construction of a training institute building for over 11 years.

Government of India (GOI) released Rs.90 lakh in March 1993 towards 50 *per cent* share under the Centrally Sponsored Scheme of "Strengthening of Revenue Administration and updating of land records". Scrutiny of records (September 2003) of Deputy Director (DD), Survey and Map Publication, Orissa, Cuttack and information collected subsequently from the Government revealed that the State Government sanctioned Rs.1.78 crore including the GOI share in favour of the DD during various periods between March 1994 and March 2004. The position of expenditure on different components as of June 2004 was as below.

Name of work	Amount earmarked in the "Scheme"	Amount sanctioned by the State Government	Actual expenditure	Observations
	Rupees in lakh			
Digitisation of cadastral maps of two tehsils by the Orissa Computer Application Centre (OCAC)	37.20	35.60	25.00	The OCAC was paid Rs.25 lakh in March 1999 for digitisation of 838 cadastral maps by September 1999. However, OCAC delivered only 198 maps upto June 2004. Rupees 3.60 lakh was lying in Civil Deposit since March 2003. Government admitted the fact and stated (September 2004) that the delay was due to non-availability of clear and up-to-date maps at tehsil level.
Establishment of State Level Survey and Revenue Law Training Institute	91.00	91.00 (March 1999)	53.48	Rupees 15 lakh was paid to Collectors for purchase of steel almirahs. Rupees 19.70 lakh was paid (June-December 2000) to Public Works divisions for construction of building of which Rs.9.17 lakh only was spent. Rs.18.58 lakh was spent (March-June 2000) on furniture and equipment for use by the training institute and tehsil offices. Furniture and equipment worth Rs.13.09 lakh meant for the institute remained unutilised, as the building was not complete. Thus, the expenditure of Rs.22.26 lakh on

Name of work	Amount earmarked in the "Scheme"	Amount sanctioned by the State Government	Actual expenditure	Observations
	Rupees in lakh			
				building and furniture remained unfruitful and the remaining Rs.37.52 lakh including Rs.3.20 lakh sanctioned for purchase of vehicle for the training institute was retained in Civil Deposit as of June 2004. Government stated (September 2004) that as the new building was still under construction, the furniture etc. were being used in the existing training institute.
Purchase of photo copiers for tehsil offices	85.80	51.80 (March 2000)	Nil	The entire amount of Rs.51.80 lakh kept in Civil Deposit (March 2000) continued to be there (June 2004). Government admitted the fact and stated (September 2004) that the purchase of photo copiers would be completed shortly.

Thus, the Centrally Sponsored Scheme of strengthening revenue administration and updating of land records sanctioned a decade ago remained incomplete although funds were not a constraint. The amount of Rs.22.26 lakh spent on building, furniture and equipment remained unfruitful and Rs.92.92 lakh was retained in Civil Deposit only to boost the ways and means position of the State.

The matter was referred (June 2004) to the Principal Secretary to the Government and was also discussed (September 2004) with the Additional Secretary of the Department who assured the completion of the project within a short period.

AGRICULTURE DEPARTMENT

4.2.4 Infructuous expenditure on cold storage

Despite expenditure of Rs.23.94 lakh on modernisation and repairs, the defunct cold storage plant at Paralakhemundi could not be operated commercially due to damages to the re-insulated ceiling caused by roof leakage raising doubts about the viability of its future commercial run; besides there was expenditure of Rs.62.25 lakh on idle wages.

Mention was made in paragraph 3.4 of the Comptroller and Auditor General's Audit Report (Civil) for the year ended 31 March 1996 on Government of Orissa regarding unfruitful expenditure due to idling of a cold storage plant at Paralakhemundi and its staff since March 1990. The Public Accounts Committee while commenting on the nugatory expenditure on running of an idle establishment (though not in the Agriculture Department) observed[22] that it was undesirable to run an establishment without specific work. They also

[22] 25th Report (Para 19) 12th Assembly – presented to the Orissa Legislative Assembly on 24 December 2002 on paragraph 4.1.7 of C&AG's Audit Report (Civil) for the year ended 31 March 1994 on Government of Orissa.

expressed the view that responsibility should be fixed on concerned officers for overlooking such expenditure at Government expense.

Scrutiny of records of the Horticulturist, Paralakhemundi in November 2003 and information collected subsequently (January to June 2004) revealed that to make the defunct cold storage operational, some modernisation and modification works were taken up between October 1997 and June 2001 by engaging three private firms. The work included replacement of its freon based refrigeration plant with an ammonia based plant, modification of the existing storage rack system and re-insulation of the damaged ceiling and insulation in storage chambers. The modification to the existing rack system and the re-insulation of the damaged ceiling etc. were completed by July 1999. The replacement, installation and trial run of the plant were completed in June 2001 but by that time the thermocol re-insulated ceiling got damaged due to leakage of rain water through the roof. All the above works including some repairs to the building were undertaken departmentally up to May 2002 at a cost of Rs.23.94 lakh. However, the commercial run of the renovated cold storage could not be started (May 2004) as the leakage in the roof persisted. As a result, the plant, although mechanically functional, was kept idle and expenditure of Rs. 62.25 lakh was incurred on idle wages for the period from April 1990 to May 2004. The entire expenditure of Rs.86.19 lakh on renovation and repair as well as wages thus turned out to be infructuous.

The Director stated (May-June 2004) that the cold storage being very old, various defects persisted despite repeated repairs. He also stated that the Government constituted a steering committee in November 2003 for examining the viability of all the cold storages before which the issue of this cold storage would be placed for recommendations. The reply was not convincing, as the viability of the cold storage should have been decided before incurring the above expenditure on renovation and repairs. Moreover, by keeping the plant idle, Government continued to incur infructuous expenditure towards idle wages.

The Principal Secretary to Government during discussion (September 2004) admitted the fact and stated that the final view on the possible divestment of the cold storage and its privatisation would be taken after receipt of the recommendation from the Steering Committee.

REVENUE DEPARTMENT

4.2.5 Wasteful investment due to non-utilisation of buildings after construction

Keeping staff quarters unallotted for over 11 years in Sambalpur Collectorate and non-occupation of residence-cum-office building in Khurda Collectorate led to wasteful expenditure of Rs.58.86 lakh besides loss of revenue of Rs.8.45 lakh. There was blocking of capital of Rs.10.69 lakh on an incomplete office building in Bhadrak Collectorate.

During the course of audit of Collectorates at Sambalpur, Khurda and Bhadrak between November 2002 and March 2004, the following cases of non-occupation of residential and office buildings as well as blocking of funds on incomplete works were noticed.

In Sambalpur Collectorate, 40 residential (24 'E' type, 16 'F' type) quarters were completed in December 1989. The Collector, Sambalpur took possession of the quarters from the PWD in January 1993. Only eight of these (seven ‘E’ type and one ‘F’ type) were allotted by the Collector in June 1998. The remaining 32 quarters were left unallotted as of March 2004 and were under unauthorised occupation of outsiders. The cost of construction of the unallotted quarters amounted to Rs.36.41 lakh and keeping the quarters unallotted made this expenditure infructuous besides resulting in loss of licence fee of about Rs.8.45 lakh between February 1993 and March 2004. The Collector, Sambalpur stated (March 2004) that the quarters were not allotted in the absence of facilities for drinking water, roads, drainage, sanitation etc. The reply did not clarify the reasons for not providing the required facilities during the 11 years till March 2004.

In Khurda Collectorate, construction of a residence-cum-office building for the Collector commenced in December 1996 and was completed in March 1998 at a cost of Rs.22.45 lakh. Despite requests from the Executive Engineer, the Collector, Khurda who had been allotted a Government accommodation at Bhubaneswar did not take possession of the building as of March 2004 on the ground of unsuitability of the location. In fact the site had not been approved by the Revenue Divisional Commissioner. Meanwhile, damages had been caused to the doors, windows etc. of the building owing to non-occupation and restoration and repair would involve an estimated expenditure of Rs.5.50 lakh. Thus, the amount of Rs.22.45 lakh spent in construction of the building turned out to be wasteful so far. The Collector, Khurda stated (December 2003) that the unsuitability of the location of the building had been intimated (June 2001/April 2002) to the Government with the request to transfer the building to some other needy Department.

In Bhadrak Collectorate, the construction of an office building for the Collector commenced in May 2001 to be completed within six months. The estimated cost was Rs.65.50 lakh but the allotment of funds for the building was only to the extent of Rs.9.50 lakh. For want of further allotment of funds, the work was stopped in 2001-02 after incurring an expenditure of Rs.10.69 lakh on construction upto the plinth level. Non-allotment of further funds resulted in blocking of the amount already spent on the incomplete building.

To sum up, non-occupation and non-allotment of houses as well as non-provision of requisite funds led to wasteful investment of Rs.69.55 lakh besides loss of revenue of Rs.8.45 lakh.

The matter was demi-officially referred (June 2004) to the Commissioner-cum-Secretary to the Government and was also discussed with the Additional Secretary (September 2004) who admitted the facts and stated that funds would be provided to complete the incomplete works at Sambalpur and Bhadrak Colletorates and the Government was actively considering to convert the Collector's residence at Khurda to a circuit house.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.2.6 Infructuous expenditure on payment of interest and fees to HUDCO

Commitment of the State Government to stand guarantee to OWSSB for loan from HUDCO without the concurrence of the Finance Department and without ensuring execution of the three concerned water supply schemes resulted in infructuous expenditure of Rs.65.96 lakh towards payment of interest and fees to HUDCO.

The Orissa Water Supply and Sewerage Board (OWSSB) Act, 1991 provides that the Board may borrow money, with the previous sanction of the State Government, from Banks or other bodies or institutions of the State Government to discharge its functions. When the State Government guarantees the repayment of any such loan with interest, such guarantee is to be given by the concerned Administrative Department with the concurrence of the Finance Department.

Test check of the records (October 2003) of the OWSSB revealed that in March 1998, the Board received the first instalment amounting to Rs.69.41 lakh of a loan from the Housing and Urban Development Corporation (HUDCO) for execution of water supply schemes at Dhenkanal, Barbil and Bargarh. The Board had executed the loan agreement with the Corporation on the strength of a commitment of the State Government (March 1998) to stand guarantee for the repayment of the loan and interest. The commitment was given by the Housing and Urban Development Department without the concurrence of the Finance Department as required under the rules. Subsequently, in a meeting taken by the Chief Secretary on 15 April 1998, it was decided not to take up the above schemes immediately due to lack of budgetary provision and infrastructure facility. However, in anticipation of availability of funds towards margin money to be provided by the State Government in subsequent years, processing of the proposal for obtaining concurrence of the Finance Department for Government guarantee on HUDCO loan was continued from April 1998 to March 2003.

Out of the first instalment of Rs.69.41 lakh, HUDCO actually paid Rs.56.12 lakh only after deducting Rs.13.29 lakh towards non-refundable front-end fee and Research and Development fee. The Board spent Rs.7.89 lakh on survey, investigation and cost of land for the scheme. The Housing and Urban Development Department of the State Government instructed the Board in February 2002 to refund the loan with interest to HUDCO. The Board paid (July 2002) Rs.53.11 lakh as principal and Rs.44.78 lakh as interest as the guarantee proposal was not finally concurred in by the Finance Department.

Thus, the expenditure of Rs.65.96 lakh incurred by the Board towards payment of interest (Rs.44.78 lakh), survey and investigation (Rs.7.89 lakh) and on account of front-end fee and Research and Development fee (Rs.13.29 lakh) in respect of the three water supply schemes proved to be infructuous.

On this being pointed out, the OWSSB stated (December 2003) that the expenditure of Rs.65.96 lakh would be recouped from the Government.

However, the Government had already rejected (March 2003) the proposal of the Board to do so due to the decision taken in the meeting of the Chief Secretary in April 1998. The Government stated (April 2004) that it was not possible to take up the schemes due to the stringent financial position. Clearly, the infructuous expenditure which was a loss to the Board arose because the Housing and Urban Development Department committed, without authority, to guarantee the repayment of the loan with interest. The State Government in its reply (July 2004) also cited the stringency of its financial position in the post cyclone period as a reason for not taking up the schemes. However, the commitment by the Housing and Urban Development Department was issued in March 1998, long before the occurrence of the super cyclone in late October 1999.

Responsibility may be fixed on concerned officer(s) of the Housing and Urban Development Department for giving the guarantee to the HUDCO without obtaining approval of the Finance Department

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.2.7 Infructuous expenditure on idle staff and machinery of the defunct feed mixing centres

Failure to redeploy the idle staff, machinery and vehicles of defunct Feed Mixing Centres for over three years led to infructuous expenditure of Rs.61.58 lakh; expenditure on monthly idle wages of Rs.1.47 lakh was continuing.

Five[23] departmental Feed Mixing Centres (FMCs) established between February 1964 and March 1994 were functioning in the State for manufacturing nutritionally pre-mixed feed for supply to various departmental Livestock Breeding and Dairy (LBD) farms and poultry farms and for sale to the public. Government decided (March 2001) to discontinue the functioning of the FMCs by redeployment of staff elsewhere except for a limited watch and ward staff as the FMCs could not maintain the desired level of nutrition in the feed and failed to supply feed regularly to the farms. It was also decided (March 2001) that the LBD and other farms would procure feed from Orissa Milk Producers Federation (OMFED) from 2001-02 onwards.

Scrutiny of the records of the FMCs at Koraput, Remuna and Sundargarh during November/December 2003 and information collected subsequently from the Director of Animal Husbandry and Veterinary Services, Cuttack revealed that the above three FMCs stopped functioning from April 2001 followed by the FMC at Chiplima from June 2001. Due to closure of the FMCs, 37[24] employees became idle, of which 15 were redeployed and two took voluntary retirement after remaining idle for 16 to 19 months. The remaining 20 staff[25] were continuing on the rolls of these FMCs without any

[23] At (1) Bhanjanagar, (2) Chiplima, (3) Koraput, (4) Remuna and (5) Sundargarh.

[24] (1) Koraput : 12, (2) Remuna : 14, and (3) Sundargarh : 11

[25] Senior clerks : 2, Junior clerk : 1, Field Multi Purpose Demonstrators : 3, Mechanic : 2, Livestock Inspector: 1 and Class - IV staff : 11.

work. It entailed infructuous expenditure of Rs.54.16 lakh on pay and allowances of the idle staff between April 2001 and November 2003. However, the FMC at Bhanjanagar continued to function during 2001-03 incurring total expenditure of Rs.16.25 lakh for the supply of feed worth Rs.6.99 lakh. Machinery (Grinders: 6, Mixers: 8) and vehicles (Trucks: 4, Jeep: 1) of the closed units continued to remain idle and Rs.2.49 lakh were spent towards road tax, repairs and maintenance of the idle vehicles and energy charges of the buildings during the above period.

Further, at the time of closure, the FMCs[26] were left with 1820 quintals of feed ingredients worth Rs.9.88 lakh. Out of the above quantity, 583 quintals worth Rs.3.38 lakh were disposed of subsequently by transfer to departmental farms (68.49 quintals: Rs.0.42 lakh) and on auction sale (514.51 quintals worth Rs.2.96 lakh was sold for Rs.1.02 lakh at a loss of Rs.1.94 lakh). Besides, long storage of the feed ingredients led to loss of Rs.2.99 lakh that comprised wastage of 233 quintals costing Rs.1.20 lakh and loss of Rs.1.79 lakh as 292 quintals became unfit for animal consumption at Remuna. This left a balance of 712 quintals worth Rs.3.51 lakh undisposed with the FMCs as of November 2003.

Thus, due to lack of effective follow up action for redeployment of idle staff, distribution of feed ingredients, maintenance of idle vehicles etc. the Government incurred infructuous expenditure of Rs.61.58 lakh (Rs.54.16 lakh + Rs.2.49 lakh + Rs.1.94 lakh + Rs.2.99 lakh). Besides, expenditure on monthly idle wages of Rs.1.47 lakh was continuing.

During discussion (September 2004), the Additional Secretary to Government stated that Government had already taken steps to fix the upset value of the machinery for auction and the idle assets would be disposed of soon.

The matter needs prompt action as any further delay in the matter would lead to further loss due to deterioration of the quality of feed ingredients and maintenance of idle establishment and the vehicles.

AGRICULTURE DEPARTMENT

4.2.8 Deterioration of land and infrastructure of Deras agricultural seed farm due to lack of attention

Hasty action to stop farming pending setting up of 'Integrated Agro Park' which did not come up and Government's subsequent lack of attention to the deteriorating condition of the farm resulted in things going from bad to worse as the land became uncultivable; expenditure of Rs.25.88 lakh was incurred for payment of idle wages which is continuing.

The Agricultural seed farm 'Deras' at Mendhasal, spread over an area of 350 acres, was functioning to produce quality seeds for supply to the local farmers.

[26] (1) Koraput : 835.40 quintals (Rs.5.92 lakh), (2) Remuna : 328.64 quintals (Rs.1.97 lakh) and (3) Sundargarh : 656.84 quintals (Rs.1.99 lakh).

The farming activities of the farm were stopped in January 1996 in view of setting up of an 'Integrated Agro Park' on the same site as a joint venture of the Agricultural Promotion and Investment Corporation of Orissa Limited (APICOL) and a private company for which a Memorandum of Understanding (MOU) was signed between them. The delay in implementation of the Agro Park and the consequential wastage of Government money due to idle wages after stoppage of the farming activities was commented upon in paragraph 3.1.12 of the Comptroller and Auditor General's Report (Civil) on Government of Orissa for the year ended 31 March 1998.

Scrutiny of the records of the Deputy Director of Agriculture (DDA), Puri in July 2002 and information collected from that office subsequently and from the Government in May 2004 revealed that the proposed Agro Park did not come up as the private company backed (July 1998) out of the MOU. The Government in July 2000 decided to restart the farming work departmentally. However, as reported (March 2001) to the Government by the Director of Agriculture and Food Production, Orissa the land had become unfit for further cultivation because of long discontinued farming and required proper reclamation. Besides, the existing infrastructure such as office building, godowns, staff quarters, irrigation channels, field bunds, fencing etc. had been damaged due to lack of maintenance. The DDA's report (February 2003) on restoration of the infrastructure to original condition including procurement of farm machinery submitted to the Director estimated the requirement of funds at Rs.1.06 crore which was not provided by the Government so far (May 2004).

Thus, hasty action to stop farming in January 1996 without going through the decision to set up the 'Integrated Agro Park' and the Government's subsequent lack of attention to the deteriorating condition of the farm despite the recurring loss being pointed out in the Audit Report earlier, resulted in damage of existing infrastructure besides idling of the staff. The wages paid to such staff amounted to Rs.25.88 lakh by April 2004; payment of idle wages was continuing (June 2004). This apart, there was reported loss of employment of a large number of villagers who were dependent on the farm for their livelihood.

The Principal Secretary while admitting the facts stated (October 2004) that three out of the seven idle staff were since transferred to other establishments and the services of remaining staff were necessary for maintenance of the farm records and watch and ward of the farm. He also stated that different means to restore the farm to workable condition are under the active consideration of Government.

4.3 Violation of contractual obligations/undue favour to contractors

WATER RESOURCES DEPARTMENT

4.3.1 Irregular issue of subsidised rice to contractors after completion of works

Issue of rice to the contractors after completion of works deprived labourers of subsidised rice and conferred benefit of subsidy of Rs.8.09 crore to the contractors.

With a view to augmenting food security through wage employment in the areas affected by natural calamities like drought, flood, cyclone and earth quake, Government of India (GOI) launched the Food for Work Programme and Sampurna Grameen Rozgar Yojana during 2001 and 2002 respectively. The scheme provided for supply of 5 kg rice per day at subsidised rate of Rs.5.65 per kg to a labourer engaged in the work and payment of balance of wages in cash. To ensure that the benefit of subsidy reached the labourer and as a safeguard against the sale of rice at higher rate in the market, the scheme stipulated that rice should be supplied to the labourers at the work site along with cash component on muster rolls. Panchayati Raj Department allotted rice to Water Resources Department during 2001 in May and September, during 2002 in April, June and December and during 2003 in April, June and October. Soon after allotment of food grains, the Water Resources Department issued release orders to CE who in turn allotted the rice to respective Divisions with instructions that the tenders should be decided only after receipt of food grains. EEs however, executed the works before receipt of rice from F.C.I godowns.

Test check of records of seven[27] irrigation divisions revealed (January 2004) that Executive Engineers (EEs) issued 13150 MT of rice (between June 2001 and January 2004) to contractors long after completion of works executed through 2183 F_2 agreements between May 2001 and December 2003. The delay in issue of rice ranged between 12 and 20 months in case of 395 agreements involving 2048 MT of rice between seven and eleven months in case of 150 agreements (1023 MT of rice) and between one and six months in case of 1638 agreements (10079 MT of rice). Since distribution of rice to daily wage workers long after completion of the works was not practicable, particularly in the absence of muster rolls indicating receipt of rice by workers, the subsidy of Rs.8.09 crore provided by GOI was not passed on to the labourers and instead, led to undue benefit to the contractors.

Thus, the primary objective of the GOI scheme of providing food security by generating wage employment was defeated and the subsidy of Rs.8.09 crore

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[27] Saline Embankment Division, Cuttack, Jagatsinghpur Irrigation Division, Prachi Irrigation Division, Drainage Division, Cuttack, Drainage Division, Bhadrak, Jajpur Irrigation Division, Balasore Irrigation Division.

was rendered wasteful.

While confirming the factual position, the Government stated (September 2004) that field units executed some works before receipt of rice due to delay in its receipt from F.C.I. The reply was not acceptable since the instructions of the CE "not to finalise the tenders before receipt of rice", were violated by the EEs. The Government, however, assured (September 2004) that the programme guidelines would be followed strictly in future.

4.3.2 Non-recovery of dues from a contractor

Overpayment and non-recovery of Government dues of Rs.47 lakh from a contractor.

The Executive Engineer (EE) MI division, Keonjhar awarded (May 1998) head works of Kakudiamba Minor Irrigation Project such as dam, chute spillway and head regulator to a contractor for Rs.4.88 crore for completion by May 2000. The contractor left the work in January 2001 after executing work worth Rs.3.57 crore leaving remaining work of earth dam and spillway worth Rs.1.31 crore. Considering the delay in execution and bad workmanship of the contractor, the Chief Engineer closed (June 2002) the contract with the penalty of recovery of the extra cost involved in completion of the remaining work. EE awarded (April 2003) the remaining work with some extra quantities to M/s Orissa Construction Corporation for Rs.2.25 crore for completion by March 2004 and the work was in progress as of September 2004.

Check of records of the Superintending Engineer, Northern MI circle, Sambalpur revealed (September 2003) that the extra cost of Rs.22.54 lakh was not recovered from the contractor. Out of the equipment advance of Rs.24.38 lakh paid (June 1998), only Rs.5.42 lakh was recovered from contractor's bills and balance of the advance with interest thereon amounting to Rs.42.51 lakh was outstanding. Further, against the value of work of Rs.3.57 crore executed, the EE paid (August 2000) Rs.3.63 crore to the contractor on running bills resulting in overpayment of Rs.6.39 lakh. The EE did not take steps to prevent the contractor from taking away the hypothecated machinery from the site in March 2001.

Against the dues of Rs.71.44 lakh recoverable from the contractor, an amount of Rs.24.80 lakh was available with the department. The EE had not initiated any action for recovery of the remaining dues of Rs.46.64 lakh as of September 2004.

The Government stated (September 2004) that action would be taken to recover the dues from the defaulting contractor by filing a money suit.

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

4.3.3 Excess payment to transporters

Collectors of two districts reckoned inflated distances for payment of transportation of foodstuff from Paradip Port to Keonjhar and Baripada which resulted in unjustified payment of Rs.36.34 lakh during 1999-2004.

Foodstuff received at Paradip Port under the CARE feeding programme is distributed in the State by the Government through projects under the Integrated Child Development Scheme (ICDS). For this purpose, the foodstuff is first transported from Paradip port to the godowns in various District Headquarters. Storage and Transport (S&T) agents for this purpose are appointed by the Government and the concerned District Collectors execute necessary agreements with them. Since July 2001, the power to appoint S&T agents was delegated to the Collectors.

Scrutiny of records (November 2003) in the Keonjhar District Collectorate revealed that payment was being made on the basis of a distance of 235 kilometres as per the agreements for transport of CARE foodstuff from Paradip port to the District Headquarter upto 30 September 1999. The Collector, Keonjhar, at the instance of the Women and Child Development Department entrusted the transport of CARE foodstuff to another S&T agent namely M/s Kalinga Commercial Corporation from 1 October 1999 adopting the distance of 299 kilometres between Paradip port and Keonjhar. The basis for adoption of the higher distance was a letter dated 2 January 1998 of the Orissa State Road Transport Corporation addressed to the Women and Child Development Department. The Chief Engineer, National Highways, Orissa, Bhubaneswar clarified (August 2004) that Paradip port and Keonjhar have been connected through National Highways with the distance of 231 km and that there should normally not be any major change in the distance from time to time. Besides, according to the clarification furnished (February 2004) to Audit by the OSRTC the distance indicated in the OSRTC's circular of January 1998 was via Cuttack city whereas the lower truckable distance would be 247 kilometres via Chandikhole, bypassing Cuttack city. However, considering that S&T agent of Keonjhar had been paid earlier on the basis of 235 km, there was no apparent reason for allowing payment on the basis of the inflated distance of 299 Km. The extra payment made to the S&T agent owing to inflation of the distance amounted to Rs.11.70 lakh during the period 2000-2004. The beneficiary throughout the period was M/s Kalinga Commercial Corporation.

Transport of CARE foodstuff from Paradip port to Baripada involved exactly similar inflation of the distance, as was observed during scrutiny of records (June 2004) in the Mayurbhanj District Collectorate. Upto 1998-99 the distance allowed from Paradip port to Baripada was 265 kilometres whereas during 1999-2000 to 2001-02 the S&T agent was allowed a longer distance of 355 kilometres based on the OSRTC letter of January 1998 quoted above. In this case also, the Chief Engineer, National Highways, Orissa clarified that the distance was 262 Km. Interestingly, the distance indicated in the agreement was again brought down to the earlier figure of 265 km since 2002-03, the rationale for which was not on record. The undue benefit arising out of inflation of the Paradip-Baripada distance also accrued to the same S&T agent and the excess payment during 1999-2002 amounted to Rs.24.64 lakh.

To sum up, allowing longer distances by the Collectors for transportation of foodstuff from Paradip port to Keonjhar and Baripada resulted in unjustified payment of Rs.36.34 lakh to the S&T agent during 1999-2004.

The matter was demi-officially referred (July 2004) to the Commissioner-cum-Secretary to the Government; reply was awaited (November 2004).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.4 Extra liability due to delay in finalisation of tender and non-inclusion of penalty clause in the agreement

Delay in finalisation of tender and failure to include penal clause in design consultancy contract by OHSDP resulted in extra liability of Rs.30 lakh.

For providing quality health care in the State, construction of new hospital buildings as well as extension, renovation and repair of old hospital buildings is undertaken under the Orissa Health System Development Project (OHSDP).

Excess expenditure due to delay in finalisation of tender

Scrutiny of the records of the OHSDP in November 2002 and information collected subsequently revealed that the work of new construction as well as repair and renovation of the District Headquarters Hospital, Sonepur estimated to cost Rs.1.74 crore (based on Orissa Schedule of Rates 1998) was put to tender in November 2000. As the lowest offer of Rs.2.29 crore exceeded the estimated cost by more than 10 *per cent,* the OHSDP sought (January 2001) the approval of the State Government as required under Finance Department instructions of October 1998. The clearance from the Government was received in May 2001 after expiry of the validity of the bid in April 2001 and the lowest bidder did not extend his offer. Thereafter the estimate was updated to Rs.2.13 crore as per the Schedule of Rates 2000 and after obtaining approval of the World Bank in July 2001, the work was put to rebid (October 2001) and ultimately awarded (June 2002) to another contractor for a contract price of Rs.2.43 crore with stipulation to complete the same by September 2003. As of March 2004, only a portion of the work worth Rs.1.03 crore had been executed. The failure of the Government to accord approval within the validity period of the bids resulted in excess expenditure of Rs.14 lakh besides time overrun of more than 21 months; the work is continuing.

The Project Director, OHSDP admitted the fact (December 2002).

Non-performance of design consultant owing to absence of penal clause

The OHSDP appointed (May 2000) M/s Dalal Mott Mcdonald as a design consultant for 15 hospitals at a contract price of Rs.24.88 lakh with six months time for completing the designs. After completing designs and documentation of eight projects and covering some preliminary designs for four projects against the total payment of Rs.13.39 lakh, the consultant stopped the work in March 2002. Due to non-performance in respect of the remaining seven incomplete works, the OHSDP terminated the contract in September 2002. In the absence of a penal clause in the contract, no punitive action could be taken against the contractor. The design of the seven incomplete works was entrusted (November 2002) to the other construction management consultants viz., Orissa Construction Corporation Limited (four works) and M/s Mecon (three works) at negotiated contract prices of Rs.19.50 lakh and Rs.8 lakh respectively. These two consultants had already been engaged on construction work. As of March 2004 the design work had been completed and the civil works were in progress. Unlike the previous contract with M/s Mcdonald, the new contracts with both the above firms had penal clauses. Non-inclusion of the relevant clause in the contract with M/s Dalal Mott Mcdonald left no scope for OHSDP to claim liquidated damages or to enforce the performance of the contract in time on pain of monetary penalty.

The Project Director, OHSDP stated (June 2004) that the contract format prescribed by the World Bank did not contain any penalty condition on the consultant. The reply was not tenable because the OHSDP awarded the left over work to the other two firms with penalty clause as usual in the contract which could have been done earlier. The consultant could easily stop the work owing to non-existence of any penalty clause.

To sum up, the delay in finalisation of tender and failure to include penal clause in design consultancy contract resulted in extra liability of Rs.30 lakh and time overrun ranging from 21 to 40 months in the execution of projects.

The matter was demi-officially referred (July 2004) to the Commissioner-cum-Secretary to the Government for reply within six weeks. Reply had not been received (November 2004).

4.4 Avoidable/excess/unfruitful expenditure

RURAL DEVELOPMENT DEPARTMENT

4.4.1 Unfruitful expenditure on water supply schemes

Failure to complete water supply schemes resulted in unfruitful expenditure of Rs.8.66 crore.

Test check of four Rural Water Supply and Sanitation (RWSS) divisions revealed that eight rural piped water supply schemes were taken up between 1991 and 2002 for completion between 1995 and 2003 to provide safe drinking water to 80 villages. The Executive Engineers (EEs) incurred expenditure of Rs.8.66 crore on the schemes as of January 2004. Though a huge expenditure was incurred on the schemes, water supply could not be provided to villagers due to non-completion/non-commissioning as of April 2004. The schemes remained incomplete due to failure of the EEs to finalise the source of water and obtain power supply to pump houses.

Thus, the expenditure of Rs.8.66 crore proved unfruitful as detailed below:

Sl. No.	**Name of the Rural Piped Water Supply Scheme/project cost/name of the RWSS Division**	**Year of commence-ment/Target Year of Completion**	**Expenditure (Rupees in lakh)**	**Remarks**
1	**2**	**3**	**4**	**5**
1.	Singheswar and its adjoining 33 Villages/ Scheme cost- Rs.327.41 lakh/ RWSS Division, Bhubaneswar.	1997-98 1999-2000	327.41	The source of water for the scheme was a Minor Irrigation Project. Though agreement was executed with the Water Resources Department it did not allow pipe line up to the source even as of March 2004. Further, laying of pipe line across National Highways was not taken up. Thus, the scheme taken up six years back remained incomplete with expenditure of Rs.327.41 lakh as of January 2004. The EE stated that scheme would be commissioned after completion of the remaining works.
2.	Bhusundpur and its adjoining 14 villages/ Scheme cost- Rs.377.91 lakh/ RWSS Division, Bhubaneswar	1998-99 2000-01	377.91	Though the scheme was scheduled to be completed in 2001, head works, distribution line, construction of leading channel, settling tank, clear water pump chambers, chemical house, pump house, stand posts, internal and external electrification were not completed even after incurring expenditure of Rs.377.91 lakh (November 2003). Moreover, the site selected for the head works was found to be under saline zone and water logged during rain. Fresh investigation for structural components of head works was under progress. The EE stated that scheme would be commissioned after completion of the remaining works.
3.	Pailo and five adjoining villages/ Scheme cost- Rs.44.86 lakh/ RWSS Division No.I, Cuttack	1997-98 Six months	10.00	Though the Scheme was neither technically sanctioned nor administratively approved, expenditure of Rs.10 lakh was incurred as of November 2003. One production well had been completed. No other works were taken up as of January 2004. As a result, the expenditure Rs.10 lakh became unfruitful.
4.	Bindhanima and adjoining 13 villages/ Scheme cost - Rs.126.24 lakh/ RWSS Division No-I, Cuttack	1991-92 1994-95	44.09	The scheme was targeted to be completed in 1995. Though more than 12 years elapsed, source of water for the scheme was not identified as of April 2004. The EE utilised allotment of Rs.44.09 lakh received for the scheme between 1991 and 2003 on procurement of cast iron pipes in excess of requirement and the pipes were either transferred to other works or lying idle as of April 2004.

Sl. No.	Name of the Rural Piped Water Supply Scheme/project cost/name of the RWSS Division	Year of commence-ment/ Target Year of Completion	Expenditure (Rupees in lakh)	Remarks
1	2	3	4	5
5.	Kandhanayagarh Village/ Scheme cost-Rs.20.76 lakh/ RWSS Division, Bhubaneswar	1998-99 1999-2000	20.76	All these Schemes were completed between April 1997 and March 2003 but were not commissioned for want of power supply as of April 2004. No steps were taken by the EEs to get electricity with the result that expenditure of Rs.106.87 lakh incurred on these projects remained unfruitful.
6.	Arkhapali Village/ Scheme cost-Rs.25.32 lakh/ RWSS Division, Bhubaneswar	1998-99 1999-2000	25.32	
7.	Garadpur Village/ Scheme cost-Rs.34.32 lakh/ RWSS Division No.II, Cuttack	2002 2003	31.63	
8.	Village Gopalpur/ Scheme cost-Rs.29.16 lakh / RWSS Division, Bhubaneswar	1994-95 1995-96	29.16	
	Total		**866.28**	

While confirming the factual position, Government assured (September 2004) that in future, schemes would be taken up after finalisation of source of water.

WORKS DEPARTMENT

4.4.2 Non-recovery of additional cost on retendering of work and loss owing to abandonment of pier wells

Abandonment of four pier wells already constructed led to loss of Rs.1.18 crore. EE failed to recover penal cost of Rs.5.98 crore from the contractor.

Mention was made in para 4.18 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 regarding idle expenditure of Rs.1.94 crore due to non-completion of high level bridge over river Devi at Sikharghat.

The Executive Engineer (EE) R&B Division Jagatsinghpur awarded (December 1994) the work of construction of the bridge to a contractor for Rs.7.98 crore for completion by December 1997. After executing the work worth Rs.1.94 crore, the contractor left the work in July 1997. The Government rescinded (July 1998) the contract at the risk and cost of the contractor with instructions to execute the remaining work through fresh tender. Further check of records revealed (May 2004) that after approval (January 2004) of the Government, the EE awarded (February 2004) the remaining work to another contractor at a cost of Rs.12.02 crore for completion by February 2007 involving extra cost of Rs.5.98 crore. The EE did not take any action to recover the additional cost of Rs.5.98 crore from the defaulting contractor.

In the meanwhile, the Technical Committee inspected (January 2004) the site and observed that four pier wells (P_4 to P_7) left incomplete by the former contractor had developed excessive tilt and shift, beyond the permissible limit[28] for which Rs.1.18 crore were paid. The committee rejected these pier wells and suggested that five new wells be constructed in their place. Accordingly, the CE approved the revised GAD in February 2004 providing for five new wells and two additional spans.

The CE intimated (February 2004) the Government that reasons for excessive tilt and shift of pier wells were being examined. The EE attributed (August 2004) the aberration to the contractor who left the incomplete wells before plugging. No action was taken either against the defaulting contractor or the officers in charge for the loss of Rs.1.18 crore.

The Government accepted (September 2004) the factual position and stated that Rs.7.05 lakh were already recovered from the contractor and for the balance of the amount, filing of money suit against him was under process.

RURAL DEVELOPMENT DEPARTMENT

4.4.3 Unwarranted benefit to contractors

Failure to adhere to the Indian Road Congress code while sanctioning the estimates resulted in unwarranted benefit of Rs.2.30 crore to contractors.

The Executive Engineer (EE), Rural Works (RW) division, Kendrapara awarded the works of construction of six[29] high level bridges to four contractors between January 2000 and May 2003 at a cost of Rs.28.99 crore (estimated cost Rs.26.30 crore) for completion between December 2002 and May 2005. The contracts, *inter-alia*, provided for execution of cement concrete (CC) items of strength M200, M250 and M350 using minimum quantity of cement as prescribed in Indian Road Congress (IRC) code subject to mix-design proportion in conformity with the gradation and proportion of all materials. The works were executed and Rs.31.73 crore were paid to contractors as of March 2004 at their quoted rates.

Test check of records revealed (December 2003) that according to the IRC code 310 kg, 360 kg and 400 kg of cement per cum were required for

[28] Tilt not to exceed 1 (horizontal) in 80 (vertical), shift not to exceed more than 150 mm in any resultant direction.

[29] 1. HL bridge over Chitrotpala near Patkura, 2. HL bridge over Chitrotpala near Sasanipada, 3. HL bridge over Luna at Kalapada, 4. HL bridge over Kani on Aul Bhuinpur road, 5. HL bridge over dead Luna on Alilo Mahakalapada road and 6. HL bridge over Gobari on Anguli Orata road.

execution of CC items of strength of M200, M250 and M350 respectively. However, the Chief Engineer (CE), RW sanctioned the estimates for these works providing for 411 kg, 571 kg and 745 kg per cum respectively based on the State Analysis of Rates. Although the mix design tests conducted during execution confirmed substantial reduction in the requirement of cement of M200 (362 kg), M250 (413.5 to 444 kg) and M350 (480 to 529 kg), the item rates (which included the excess provision of cement) were not correspondingly scaled down based on the actual cement utilised in the work. This led to unwarranted benefit of Rs.2.30 crore to the contractors of which Rs.1.75 crore were already paid upto March 2004.

The Government stated (September 2004) that lowering of rate based on variation of actual consumption of cement was beyond the scope of the contract and assured that a specific clause in the contracts for adjustment of item rate based on actual consumption of cement would be incorporated henceforth.

WORKS DEPARTMENT

4.4.4 Avoidable escalation charges on bridge works

Failure of the EEs to release funds, revise drawings and provide land for bridge works resulted in avoidable expenditure of Rs.1.98 crore towards price escalation.

Codal Rules provided that no work should be commenced without provision of funds, finalisation of drawing and acquisition of land.

Test check of records of three[30] Roads and Buildings Divisions revealed (May to November 2003) that the Government sanctioned extension of time to the contractors on the ground of delayed finalisation of drawing, non-acquisition of land and inadequate flow of funds. The Executive Engineers (EE) paid (between January 2003 and March 2003) price escalation of Rs.1.98 crore for the extended periods to the contractors resulting in avoidable expenditure as discussed in the succeeding paragraphs.

- ***Construction of bridge over Mahanadi***

The EE, R&B division, Sambalpur awarded (February 1999) the work "construction of high level bridge over Mahanadi near Sonepur Birmaharajpur Subalya Road (Balance work)" to a contractor for Rs.25 crore for completion by February 2002. The contractor did not complete the work within the stipulated date. The Chief Engineer sanctioned extension of time upto June 2003 on the ground of inadequate flow of funds. Test check revealed (April 2003) that against allotment of Rs.25.43 crore during the contractual period, letter of credit (LoC) of only Rs.20.45 crore was issued. The EE, however, paid price escalation of Rs.0.41 crore to the contractor for the extended period which could have been avoided had the LoC been issued in accordance with the allotment.

[30] Roads & Building Divisions, Panikoili, Sambalpur and Kendrapara.

➢ ***Construction of bridge over Kharasuan***

The EE R&B division, Panikoili awarded (December 1999) the work "construction of high level bridge over Kharasuan on Jajpur Baruan Road (Balance work)" to a contractor for Rs.8.64 crore for completion by December 2001. The contractor could not complete the work within the stipulated date. The CE sanctioned extension of time upto August 2003 on the ground of change of design which became necessary owing to increase in the high flood level (HFL). Check of records, however, revealed (August 2003) that the increase in HFL was observed as back as in August 1997 and there was sufficient scope to revise the design according to the increased HFL before award of work in December 1999. Failure to do so resulted in payment of price escalation of Rs.0.57 crore for the work executed during the extended period.

➢ ***Construction of bridge over Kharasrota***

The EE, R&B division Kendrapara awarded (November 1993) the work "construction of high level bridge over river Kharasrota at 89th km on Cuttack Chandabali Road (Balance work)" to a contractor for Rs.10.90 crore for completion by May 1996. The contractor could not complete the work within the stipulated date. The Government sanctioned extension of time upto December 2001 on the ground of non-acquisition of land and non-finalisation of design which were the pre requisites for commencement of work. The EE paid one crore rupees towards price escalation for the extended period.

Government while confirming the factual position assured (September 2004) that the LoC for the approved works would be provided in future on priority basis. As regards the bridge over river Kharasuan, the Government stated that due to increase in quantity of work the escalation had to be paid. The reply was not correct since the extra quantities which were necessitated following the increased high flood level were foreseeable.

WATER RESOURCES DEPARTMENT

4.4.5 Extra expenditure due to faulty estimation

Deliberate inclusion of item of hard rock in the estimate by the EE despite evidence to the contrary resulted in extra expenditure/liability of Rs.84 lakh and non-recovery of penalty of Rs.33 lakh from a contractor.

The Executive Engineer (EE) Parajang canal division awarded (December 1997) the incomplete part of the work of excavation of left bank canal from RD 23 km to 26 km of Rengali Irrigation Project that was left over from an earlier contract to a contractor for Rs.3.27 crore for completion by December 1999. The contractor failed to complete the work even within the extended period i.e. June 2003 and applied (August 2003) for further extension of time upto June 2004 which was not sanctioned. The EE paid Rs.2.18 crore for the value of work executed by the contractor and price escalation of Rs.49.28 lakh as of June 2003.

Check of records of Superintending Engineer (SE), Head Works Circle, Samal revealed (January 2004) that the estimate of the work *inter alia* provided for excavation in all kinds of soil (1.92 lakh cum) and hard rock (1.40 lakh cum). Earlier, this reach was being executed by Orissa Construction Corporation and according to the provision in the original estimate, they were paid for excavation of medium hard rock (MHR). While framing the estimate for the incomplete part of the work, the EE substituted MHR with hard rock without any valid reasons. In fact during excavation, only MHR was encountered as was experienced by OCC and no hard rock was encountered. The Chief Engineer approved (January 2000) provisional rate of Rs.86 per cum for the extra item of MHR pending approval of the Government. After a series of discussions between January 2000 and January 2003, the Government approved (January 2003) the rate of Rs.84.50 per cum for excavation of MHR with benefit of price escalation but stipulated that if the contractor failed to complete the work by June 2003, penalty according to the contract provision would be imposed. The contractor executed (March 2003) supplementary agreement accepting the conditions but failed to complete the work within June 2003.

It was observed in audit (January 2004) that had the tender been floated with MHR in place of HR, the relative position of the tenderers would have changed. The first lowest tenderer, who was awarded the work, would become the fourth lowest while the second lowest would be the first lowest. Thus, the deliberate inclusion of the item of HR in the estimate in the initial phase and subsequent change of MHR led to extra cost of Rs.84 lakh of which Rs.57 lakh were already paid to the contractor.

Further, though penalty of Rs.33 lakh (being 10 *per cent* of contract value) for non-completion of the work within June 2003 was to be recovered as per the Government order, no penalty was imposed on the contractor. On the other hand, the EE paid (June 2003) price escalation of Rs.31.55 lakh for the work executed during the extended period between January 2000 and June 2003 thereby extending undue favour to the contractor.

The Government accepted the factual position and assured (September 2004) that future work estimates would be prepared after proper survey and investigation of site. As regards non-imposition of penalty, Government stated that the contractor executed 97 *per cent* of work by June 2003. But as per measurement recorded in the latest bill submitted by the contractor in June 2003, the work done up to that month was only 67 *per cent*.

WORKS DEPARTMENT

4.4.6 Avoidable expenditure on a bridge work

Failure of EE to investigate site before invitation of tender and to analyse the rate for variation resulted in avoidable expenditure of Rs.1.08 crore

Based on the hydraulic particulars collected during June 1999, the Chief Engineer (CE), Roads & Buildings (R&B) approved the General Arrangement

Drawing (GAD-70/2000) for construction of High Level Bridge over river Devi on Bagalpur Sailo Jharpada Road at Alipada with seven spans of 41.54 metres each for a total length of 290.78 metres. During the 2001 high flood, the deep channel of the river widened due to scouring causing change in site condition. The Executive Engineer (EE), Jagatsinghpur (R&B) Division invited tenders for the work in March 2002 on the basis of the earlier approved GAD without investigating the existing site conditions after the flood and entrusted (September 2002) the work to a contractor for Rs.7.70 crore on lump sum contract for completion by September 2005. Immediately thereafter, the CE, Design, Planning and Investigation and Roads (DPI&R) visited (October 2002) the site and instructed increase of the bridge length by five more spans to allow adequate ventage as well as to prevent scouring, following change in the site condition after flood of 2001. Accordingly, revised drawing was approved (December 2002) providing for five more spans of 41.54 metres each increasing the bridge length by 207.70 metres. The Government entrusted (December 2002) the additional works to the same contractor for Rs.6.65 crore as per variation clause of his contract. The work was under progress as of November 2003.

Check of records of the EE, revealed (July 2003) that while the contractor had quoted a lump sum rate of Rs.7.70 crore for seven spans, he quoted a rate of Rs.1.30 crore for each additional span under variation clause, which was disproportionate to the average cost (Rs.1.10 crore) of each of the seven spans. Even after including cost variation due to increased depth of piers, the cost of additional work of 207.70 metres would work out to Rs.5.57 crore only. With proper inspection/investigation being carried out to assess the site condition following the 2001 flood before inviting tenders in March 2002 and the implication of rate for additional spans properly evaluated at the tender stage, the cost would have been reduced by Rs.1.08 crore (Rs.6.65 crore - Rs.5.57 crore). No action was, however, taken against the errant officers for failure to investigate the site properly.

The EE while admitting (November 2003) that proper investigation of site had not been done before invitation of tender, stated that increase in length of the bridge was inevitable and added that financial implication for variation of rates at the time of tender had also not been assessed. Thus, failure of the EE to take stock of the changed site condition before inviting tenders and to analyse the implication of rate variation for additional spans at the time of finalisation of tender led to avoidable expenditure of Rs.1.08 crore.

While confirming the factual position, the Government assured (September 2004) that for projects costing Rupees five crore or more, henceforth the CE would visit the project site before floating of tenders to avoid such expenditure. The Government further added that explanation would be called for from the concerned EE.

WATER RESOURCES DEPARTMENT

4.4.7 Avoidable expenditure on repairs to right spillway

Failure of EE/CE to seal the leakage in Hirakud dam in time resulted in enlargement of cavity and subsequent execution led to avoidable expenditure of Rs.93 lakh.

The Executive Engineer (EE), Hirakud Dam Rehabilitation Division, Burla awarded (February 2002) the work "Underwater treatment of cavities in front of sluice barrels of Hirakud dam" to a firm for Rs.1.15 crore for completion by May 2002. The firm completed the work with extra quantities in March 2003 at a cost of Rs.1.38 crore.

Check of records of the EE revealed (September 2003/August 2004) that although cavity of six cum volume had been detected as early as August 1992 in front of sluice barrel 49-50 in block No 39-40 of the dam, the EE had not included the treatment of the cavity while entrusting (May 1995) the work of underwater treatment of all the cracks and other defects in blocks No.35-46 to a firm for Rs.3.60 crore for completion by May 1998. The underwater mapping conducted in June 1996 indicated enlargement of the cavity to 40 cum volume. At the instance of the Chief Engineer and Basin Manager, Upper Mahanadi Basin, the firm agreed (November 1996) to execute the work of cavity treatment also as extra item under the existing contract at Rs.0.45 crore. The CE accordingly submitted (December 1996) a deviation statement to the Government for approval, which was not approved as of May 1999. In the meanwhile, the CE further reported (May 1999) that subsequent underwater survey indicated creation of three more cavities in blocks No.38, 41 and 45 and the total volume of cavities increased to 85.84 cum and therefore, proposed to float fresh tenders for the work. The Government approved (May 1999) the CE's proposal and the work was entrusted (February 2002) to the same firm[31] for Rs.1.15 crore for completion by May 2002 with stipulation that the work would be considered perfect if leakage was reduced to 50 litre per minute. Despite reduction of leakage to only 114 litre per minute, the EE considered (March 2003) the work completed and paid (June 2003) Rs.1.24 crore by withholding Rs.13.82 lakh from the contractor’s final bill of Rs.1.38 crore.

Thus, due to failure of the EE/CE to undertake timely treatment of the existing cavity alongwith the work of treatment of cracks in May 1995 itself or even as extra item to the existing contract at the agreed rate of the firm, avoidable expenditure of Rs.93 lakh (Rs.1.38 crore – Rs.0.45 crore), was incurred. Further, the expenditure of Rs.1.24 crore failed to achieve the intended limit of reduction of leakage.

The Government stated (August 2004) that the work being of specialised nature required thorough investigation and execution by an experienced agency. The reply was not acceptable since the primary objective of reducing the leakage to 50 litre per minute was not achieved.

[31] M/s Kvaerner Cementation India.

4.5 Idle investment/idle establishment/blockage of funds

WORKS DEPARTMENT

4.5.1 Idle expenditure and undue favour to contractor

Non-completion of bridge for over nine years resulted in idle expenditure of Rs.1.64 crore besides undue favour to contractor for non-recovery of Government dues of Rs.54.96 lakh.

The Government awarded (December 1994) the work "construction of high level bridge over river Panchupada on Haldipada-Solapata road" to a contractor at his lump sum (LS) offer for Rs.2.22 crore for completion by December 1996. The contractor failed to complete the work even within the extended period of completion (December 2000) due to non-finalisation of design and non-acquisition of land and stopped (January 2001) further execution after receiving payment of Rs.1.38 crore including price escalation. The Government rescinded (February 2003) the contract with penalty to recover five *per cent* of the value of the remaining work and ordered (February 2003) allotment of the work to M/s Orissa Bridge and Construction Corporation Ltd. The work was, however, withdrawn and fresh tenders were invited in July 2004.

Check of records (May 2003) of the Executive Engineer (EE), R&B Division, Balasore revealed that as per condition of LS contract, the contractor was to submit the design for approval of Chief Engineer (CE) before commencement of work (December 1994). The contractor, however, submitted design of different components of work between August 1995 and May 1996, which the CE approved between November 1995 and March 2000. Though the work was awarded for completion by December 1996, the EE initiated the land acquisition proposal only in September 1998.

Further, the EE paid (January 2001) Rs.61.24 lakh to the contractor for some variation items of work without approval of CE/Government. Of the above overpayment, the EE recovered (March 2001) Rs.14.23 lakh from contractor’s bill leaving an amount of Rs.47.01 lakh un-recovered. Besides, the EE had also not taken steps for recovery of penalty of Rs.7.95 lakh imposed by the Government for delay in completion of the work. The bridge work remained unfinished with overall expenditure of Rs.1.64 crore and the land acquisition proposal not being finalised as of November 2003.

Thus, failure of the EE to initiate the land acquisition proposal well in advance coupled with delay in submission/approval of design led to non-completion of the bridge for over nine years resulting in idle expenditure of Rs.1.64 crore and non-recovery of Government dues of Rs.54.96 lakh. No responsibility was, however, fixed for the departmental lapse.

The Government accepted (September 2004) the factual position and stated that the tender for the remaining work would be finalised to complete the work.

AGRICULTURE DEPARTMENT

4.5.2 Expenditure on idle establishment

Continuance of Soil Survey Sub-Division at G. Udayagiri without any work for over 11 years led to expenditure of Rs.1.31 crore on idle establishment besides irregular drawal of salary without allotment of funds.

The Soil Conservation (Survey) Sub-Division, G. Udayagiri was created in October 1977 for conducting soil and land capability survey in the undivided Phulbani district under the Drought Prone Area Programme (DPAP).

Scrutiny of the records of the Assistant Soil Conservation Officer (Survey), G. Udayagiri (ASCO) during November 2002 and information collected in March 2004 revealed that of the 915 mini identified watersheds in the sub-division, survey of 310 was completed by 1991-92. During 1992-2000, the sub-division completed survey of only 25 mini water-sheds[32] after which no work was undertaken as of March 2004. The low achievement of work since 1992-93 was attributed by the ASCO to non-receipt of funds for conducting the survey.

The lack of workload in the Sub-Division was brought to the notice of the Director, Soil Conservation by the Collector, Phulbani (April 1994) who pleaded for shifting of the Sub-Division to another Block within the district. The Soil Conservation Officer (Survey), Bhubaneswar also pointed out (July 1994) to the Director, Soil Conservation that the Sub-Division at G. Udayagiri had been functioning without any funds except pay and allowances since 1991-92. No action was taken to shift the Sub-Division. Since 1995-96, the Sub-Division did not receive any allotment of funds under the DPAP towards even pay and allowances of staff though salary continued to be drawn till December 2001 as the concerned sub-treasury did not keep a watch over the allotment of funds towards pay and allowances. Thereafter although the staff under the DPAP scheme were transferred, some other staff borne on the pay rolls of other establishments of the Department were deployed in the Sub-Division despite there being no work. The idling of staff due to lack of funds under works contingencies and drawal of their salary without allotment of funds was also commented upon in the Inspection Report in July 1996. Despite the above, the sub-division with its idle staff continued at the same station without work till July 2004 resulting in nugatory expenditure of Rs.1.31 crore during April 1991 to July 2004 towards pay and allowances of staff. The ASCO stated (November 2002 and March 2004) that the Director had been requested to take a decision in this regard.

The Principal Secretary during discussion (September 2004) while admitting the facts stated that due to closure of the DPAP scheme since 1994-95 all the staff except one were redeployed elsewhere by 1999-2000. However, his reply was silent about the three staff borne on the pay rolls of other establishments and continuing in the sub-division.

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[32] 1992-1993: 1, 1996-1997: 2, 1998-1999: 10 and 1999-2000: 12

RURAL DEVELOPMENT DEPARTMENT

4.5.3 Blockage of funds due to procurement of CI pipes without requirement

Purchase of CI pipes and fittings worth Rs.1.24 crore by the EE without definite requirement resulted in blockage of Government money.

The Chief Engineer, Rural Water Supply Sanitation (RWSS), Orissa placed (January 1999 to March 2001) purchase orders for supply of 10,435 metres of Cast Iron (CI) pipes with a firm for the work "providing safe drinking water to fourteen villages of Satyabadi and Puri Sadar Block". The Executive Engineer (EE) RWSS division, Puri received 6,715 metres of CI pipes between March 1999 and October 2001 and paid Rs.1.22 crore to the firm. The EE also purchased CI fittings worth Rs.4.87 lakh between December 1999 and March 2002. Out of the above, materials worth Rs.1.24 crore could not be utilised in the work as of January 2004.

Check of records (June 2003) revealed that the estimate of the work provided for laying 10,810 metres of CI pipes which involved pipe laying along eight km of National Highway (NH), with road crossings at seven places and rail crossings at four places. While the NH authority did not permit (July 2001) using NH for pipe laying, the railways demanded (August 2001) Rs.33 lakh for crossing the railway track. Considering the refusal of NH authority and the high cost involvement in payment to railways, the Government decided (August 2001) to change the direction of the distribution line avoiding such road/rail crossings and to use PVC pipes in place of CI pipes. The estimate was accordingly revised with the changed specification in pipe laying and restricting water supply to nine villages. The EE incurred expenditure of Rs.2.99 crore (December 2003) on the work, which was in progress.

Codal rules provided that when divisional officer was to plan an estimate for a work which was likely to affect or interfere with works of other departments/railways, the latter should be consulted well in advance before proceeding with execution of work. This was, however, not followed by the EE before preparing the estimate or incurring expenditure on the work.

Thus, procurement of CI pipes of such huge quantity by the CE/EE without assessing definite requirement for the work in absence of necessary permission of the railways and NH authorities resulted in blockage of Rs.1.24 crore.

While confirming the factual position, the Government stated (September 2004) that action had been taken to use the unutilised materials in other divisions and that materials worth Rs.46.57 lakh were transferred to other works. The fact was, however, that the materials were transferred to works where there was no provision for such requirement and also not taken to site account of concerned works.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.5.4 Blockage of funds due to delay in completion of buildings for Community Health Centre

Community Health Centre building and staff quarters at Muniguda stalled for more than four years due to dispute between the OHSDP and IDCO; equipment worth Rs.7.41 lakh could not be installed for want of space.

According to an agreement signed (March 1999) between the Orissa Health Systems Development Project (OHSDP) and the Orissa Industrial Infrastructure Development Corporation (IDCO), the latter was to act as the construction management consultant and get the civil works relating to World Bank Assisted Projects executed through contractors on placement of advance by the former.

Scrutiny of records of OHSDP revealed (April 2004) that based on the above agreement, the execution of the work of extension to the existing Community Health Centre (CHC) building and staff quarters at Muniguda (Rayagada district) estimated to cost of Rs.42.76 lakh was entrusted to the IDCO in 1998. The IDCO in turn awarded the work to a contractor in December 1999 for Rs.43.72 lakh with the stipulation to complete the same by June 2001. The contractor stopped the work in April 2001 after executing a part of the work for which Rs.1.25 lakh was paid (March 2001) to him. The IDCO rescinded the contract in August 2001 on ground of non-performance without realising liquidated damages from the defaulting contractor. Subsequently, the estimate was revised to Rs.58.01 lakh as per the Schedule of Rates 2000. The remaining work was put to rebid in July 2002 and was ultimately awarded (November 2002) to another contractor at a contract price of Rs.53.62 lakh with stipulation to complete the work by August 2003. However, this contractor also stopped (March 2003) the work due to non-payment of his claims of Rs.15 lakh by IDCO in respect of the fifth to the seventh running bills. The IDCO had already paid Rs.25 lakh to the contractor for the work up to fourth running bill but did not make payment thereafter on the plea of inadequate flow of funds from the OHSDP as advance for the work. OHSDP, instead of settling the accounts with IDCO as per the agreement, insisted (November 2003) on the latter's forwarding the contractor’s passed bills for direct payment by OHSDP. The IDCO did not agree to this as that would infringe upon the agreement made with the contractor.

Thus, due to the dispute between OHSDP and IDCO, as to who would make payment to the contractor, arising out of the unilateral decision of the OHSDP not to place fund with IDCO, the work remained incomplete even after four years of commencement. This resulted in not only the blockage of Rs.40 lakh but also delaying access to quality health care by the tribal population of the area. Besides, equipment worth Rs.7.41 lakh procured and supplied by OHSDP during 1999-2001 remained idle for want of space.

The Project Director, OHSDP stated (May 2004) that compliance to the audit observations would be furnished after collection of information from IDCO.

The matter was demi-officially referred to the Commissioner-cum-Secretary to the Government in July 2004. Reply had not been received (November 2004).

4.6 Regularity issues and other points

FISHERIES AND ANIMAL RESOURCES DEVELOPMENT DEPARTMENT

4.6.1 Misutilisation of ICA funds

ICA scheme funds of Rs.3.43 crore meant for payment of subsidy to farmers for development of shrimp farms was misutilised for maintenance of the State Government's own establishment.

The Integrated Coastal Aquaculture (ICA) (a centrally sponsored scheme) provided subsidy to fish farmers through Brackish Water Fish Farmer's Development Agencies (BFDAs) up to a maximum of Rs.30000 per ha. to be borne by Government of India (GOI) and the State Government in equal shares. For developing a 50 hectare farm, the GOI's contribution to the concerned BFDA was to be limited to Rs.7.63 lakh per annum, comprising Rs. 7.50 lakh being the maximum permissible subsidy from the GOI and Rs.0.13 lakh being the permissible administrative cost to be borne by the GOI. The administrative cost was also to be shared between GOI and the State Government on 50:50 basis. Thus, the total permissible subsidy for developing a 50 ha. farm was Rs.15 lakh and the permissible administrative expenditure was Rs.0.26 lakh.

Test check of records (between July and November 2003) of six offices[33] revealed that the State Government sanctioned and paid grants-in-aid of Rs.3.18 crore (Central share-Rs.1.74 crore and State share-Rs.1.44 crore) during the period 1997-2003 to seven[34] BFDAs for development of 1041.66 ha. of shrimp farms. Taking into account of opening balance of Rs.0.54 crore with the BFDAs, as on 1 April 1997, the funds available with the BFDAs aggregated Rs.3.72 crore during the period.

The BFDAs developed only 636.62 ha. for shrimp culture during the above period and spent only Rs.0.26 crore on payment of subsidy to the farmers. The balance of Rs.3.46 crore was spent to meet the salaries of the District Fishery Officers and their establishments as well as certain contingent expenditure of those offices. These expenses were actually due to be met entirely by the State Government from its own funds and not from ICA funds. In terms of the ICA scheme, only Rs.3.31 lakh were admissible as administrative expenditure on development of 636.62 ha. at the rate of Rs.0.26 lakh per 50 ha. Thus, the ICA funds of Rs.3.43 crore meant for subsidy of fish farmers for development of

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33 (1) District Fishery Officers-cum-Chief Executive Officers (CEOs), BFDAs of (a) Ganjam, (b) Puri, (c) Balasore and (d) Khurda (2) Director of Fisheries, Orissa, Cuttack and (3) Commissioner-cum-Secretary, Fisheries and Animal Resources Development (FARD) Department , Government of Orissa.

34 Balasore, Bhadrak, Kendrapara, Jagatsinghpur, Puri, Khurda and Ganjam

fish farms had been diverted to maintain the State Government's own establishment.

Government stated (July 2004) that Rs 0.26 lakh meant for administrative cost was practically unviable and since the payment of salary to the staff was indispensable, diversion of funds from subsidy amount was considered the only way to solve the problem. It was also stated that the farmer had shown more interest in availing of subsidy under Marine Products Export Development Agency (MPEDA) scheme, which was Rs.40,000/- per ha. i.e. Rs.10,000/- more when compared to ICA scheme where the subsidy was Rs.30,000/- per ha. This led to accumulation of huge funds under BFDA subsidy which were diverted towards salaries of the staff of BFDAs. The reply was not acceptable since the above expenditure of Rs.3.43 crore was exclusively meant for payment of subsidy to the fish farmers under the scheme and the cost of staff salary was not covered under the GOI sanction order.

SCHOOL AND MASS EDUCATION DEPARTMENT

4.6.2 Mismanagement of funds under universal elementary education programmes

An amount of Rs.3.38 crore meant for spending under the District Primary Education Projects and Sarva Siksha Abhiyan was mismanaged by spending on salaries in excess of norm, free distribution of text books to general category students and computerisation of personal data of teachers.

District Primary Education Programme (DPEP) and Sarva Siksha Abhiyan (SSA) are two Centrally Sponsored Schemes of Government of India for universalisation of elementary education; funded by the Government of India and the State Government in the ratio of 85:15. Test check of records in the office of the Project Director, Orissa Primary Education Programme Authority (OPEPA), Bhubaneswar during November 2003 to February 2004 revealed that an amount of Rs.3.38 crore was mismanaged and spent in violation of norms specified in the relevant guidelines. The details are mentioned below:

- According to the programme guidelines of DPEP, 90 *per cent* of the salary of teachers for the first two years and 80 *per cent* for the remaining period of the programmed months were to be met out of DPEP funds. The Project Director, OPEPA, Bhubaneswar, however, paid (between September 2000 and September 2003) Rs.16.77 crore to the State Government towards full salary of the teachers deployed under DPEP during the period from November 1999 to June 2003 (44 months) while the amount payable by OPEPA was Rs.14.34 crore. Thus, there was an inadmissible expenditure of Rs.2.43 crore under the programme.

- In contravention of guidelines of the programmes, text books worth Rs.62.98 lakh were distributed free of cost to all boy students of general category during 2001-02 and 2002-03 in four DPEP districts viz. Keonjhar, Bolangir, Nowrangpur and Gajapati beyond the scope of the two schemes.

- The entire personal data contained in the service books, personal files and other records of all primary and upper primary school teachers of the State Government, numbering 1.15 lakh were computerised at a cost of Rs.32.47 lakh. The expenditure was met out of the programme funds between October 2001 and March 2003 contravening the GOI guidelines.

Government stated (July 2004) that the State share of the scheme fund was utilised for payment of salary of the teachers and that leaving out the general category boy students for distribution of text books when all others were getting free text books was not desirable. The reply was not acceptable as the DPEP funds comprised both Central and State shares and the distribution of text books was to be made in accordance with the GOI guidelines. Further, Government's claim, that the computerisation of teachers' service records was made for proper implementation of the programmes, was not acceptable as this had no relevance to the programme objective of spread of education.

HIGHER EDUCATION DEPARTMENT

4.6.3 Appointment of staff in disregard of Government imposed restriction

In disregard of the Government's decision of July 1999 imposing restriction on filling up of vacant posts, the Director of Higher Education appointed 113 Junior Clerks, Lascars, Chowkidars etc. in different NCC offices. Expenditure of Rs.2.51 crore was irregularly incurred on their salary till June 2004; the irregular expenditure is continuing.

As a part of the medium term fiscal reform measures which included progressive reduction of the Government establishment, the Finance Department in a memorandum conveyed (July 1999) the Government's decision to all the Departments to abolish 50 *per cent* of the base level vacancies existing as on 1 July 1999 in every Government office. It was also decided that the remaining vacancies were not to be filled up without prior concurrence of the Finance Department.

Scrutiny of records of three National Cadet Corps (NCC) offices and information collected between September 2002 and July 2004 revealed that between July 1999 and March 2001, the Director of Higher Education, Orissa (DHE) made appointments to 113 base level posts (Junior clerks: 48, Lascars: 57 and Chowkidars: 8) and posted the officials to various NCC offices detailed in the Appendix-XXXI. The DHE did not obtain concurrence of the Finance Department for making the above appointments. The appointments made in disregard of the Government's decision resulted in irregular expenditure of Rs.2.51 crore towards the pay and allowances of these officials between July 1999 and June 2004 adversely affecting the medium term fiscal reform measures of the Government; the expenditure is continuing.

The matter was taken up (September 2003) with the Director of Higher Education and the Deputy Director stated (December 2003) that the process of appointment having started before July 1999 and accordingly the vacant posts were filled up in different organisations of the State. As the reply did not clarify the circumstances leading to such large number appointments, the relevant records were sought (August 2004) from the DHE. However, the records were not produced to audit despite repeated requests (August 2004).

The Commissioner-cum-Secretary to Government during discussion stated (September 2004) that the Deputy Director (NCC) was initially permitted (March 1999) to fill up 37 vacant posts of junior clerks. However, he did not take the required prior approval of Government while issuing appointment orders from July 1999 onwards. He further stated that the fact of appointment to the remaining 76 different posts came to his notice only through audit and assured that steps to proceed against the erring officer had already been initiated for a decisive action to provide an ideal deterrent for others.

CO-OPERATION DEPARTMENT

4.6..4 Unauthorised retention of debt relief funds meant for farmers and artisans by a Cooperative bank

The Balasore Central Cooperative Bank Ltd. unauthorisedly retained Rs.41.65 lakh meant for debt relief of farmers, artisans etc. for over 12 years while the Cooperative Societies that had extended loan to the farmers etc. continued under liquidation proceedings.

The Orissa Agricultural and Rural Debt Relief (ARDR) Scheme, 1990 provided debt relief upto Rs.10000 in each case to the artisans, farmers, weavers, fishermen etc. who had taken loan from Cooperative societies and banks for agriculture or allied activities or for artisan activity. The relief was admissible only if the default had occurred due to certain specified reasons. The payment of debt relief was to be made by the Registrar of Cooperative Societies (RCS), Orissa based on the consolidated claim preferred through the Orissa State Cooperative Bank. All borrowers whose loan accounts were closed under the scheme were eligible for fresh loans from the bank/cooperative society etc. Government was to issue suitable administrative guidelines for smooth and expeditious implementation of the scheme.

Check of the records (April 2003) of the Assistant Registrar of Cooperative Societies (ARCS), Bhadrak and information collected subsequently from the Deputy Registrar of Cooperative Societies, Balasore (DRCS) revealed that the Balasore District Cooperative Central Bank Ltd. (BDCCBL) received (March 1992) Rs.49.53 lakh (ARCS, Bhadrak: 33.76 lakh, ARCS, Balasore: Rs.15.77 lakh) under the scheme. The amount was received in respect of 11584 eligible defaulters of loans of 331 Cooperative Societies (Bhadrak: 205 and Balasore: 126) which were under liquidation proceedings with the concerned ARCS. Out of the above, BDCCBL adjusted Rs.7.24 lakh towards dues of these Cooperative Societies and credited Rs.0.64 lakh to the savings bank accounts of 56 Cooperative Societies as of April 2004. The balance of Rs.41.65 lakh remained with the BDCCBL without being credited to the accounts of the liquidated Cooperative Societies despite repeated requests of the concerned ARCS.

The BDCCBL unauthorisedly continued to retain Rs.41.65 lakh for over 12 years. Due to lack of effective follow up action by the RCS with the BDCCBL for smooth and expeditious implementation of the scheme as envisaged in the ARDR Scheme 1990, the accounts of the liquidated societies could not be settled and the liquidation proceedings of the concerned Cooperative Societies continued with their chances of revival, if any, receding further and further. Besides, this made the borrowers ineligible for applying for fresh loans.

Government stated (15 July 2004) that after intervention of the RCS the bank has already credited the entire balance in the accounts of the concerned liquidated societies but as ascertained from the DRCS, Balasore (29 July 2004) and ARCS, Bhadrak (31 July 2004) the BDCCBL was yet to credit the amount to the accounts of the societies.

During discussion (October 2004), the Principal Secretary stated that the process of affording credit to the society account has been started and a complete picture of full adjustment of the amount would emerge very soon. He also assured that measures would be taken to prevent such occurrence in future.

4.7 GENERAL

4.7.1 Follow up action on earlier Audit Reports

Serious irregularities noticed in audit are included in the Reports of the Comptroller & Auditor General (Audit Reports) that are presented to the State Legislature. According to the instructions issued by the Finance Department, Government of Orissa in December 1993, the Administrative Departments are required to furnish explanatory notes on the paragraphs/reviews included in the Audit Reports and Action Taken Notes (ATNs) on the recommendations of Public Accounts Committee (PAC) Reports within three months and six months respectively of their presentation to the Legislature.

It was noticed that in respect of Audit Reports from the years 1991-92 to 2002-03 as indicated below, 23 out of 37 departments which were commented upon, did not submit explanatory notes on 204 paras/reviews as of September, 2004.

Years of Report	**Total paras/reviews in Audit Report**	**No. of individual paras/reviews for which explanatory notes were not submitted**
1991-92	99	5
1993-94	87	6
1994-95	85	7
1995-96	89	9
1996-97	103	18
1997-98	97	20
1998-99	92	25
1999-2000	83	28
2000-01	83	34
2001-02	61	18
2002-03	59	34
Total	**938**	**204**

The department-wise analysis is given in the Appendix-XXXII which shows that the Departments largely responsible for non-submission of explanatory notes were Revenue, Agriculture, Scheduled Tribes and Schedule Castes Development, Water Resources, Works, School & Mass Education and Finance. Comments on topics such as Super Cyclone, Public Distribution System and Integrated Audit of Primary Education had also failed to elicit any response from the Government.

Response of the departments to the recommendations of the Public Accounts Committee

The Orissa Legislative Assembly (OLA) Secretariat issued (May 1966) instructions to all departments of the State Government to submit Action Taken Notes (ATN) on various suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within six months after presentation of the PAC Reports to the Legislature. The above instructions were reiterated by Government in Finance Department in December 1993 and by OLA Secretariat in January 1998. The PAC Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executive to the legislature and it is appropriate that they elicit timely response from the departments in the form of Action Taken Notes (ATNs).

However, it was noticed that 2045 recommendations of PAC, relating to 1st Report of 9th Assembly (1985-86) to 45th Report of 12th Assembly (2003-04) were pending settlement as of September 2004. Department-wise details are indicated in Appendix-XXXIII which indicate that Departments largely responsible for non-submission of ATNs are Water Resources, Works, Housing and Urban Development, Industries, Agriculture and School and Mass Education.

Monitoring

The following Committees have been formed at the Government level to monitor the follow up action on Audit Reports and PAC recommendations.

Departmental Monitoring Committee

Departmental Monitoring Committees (DMCs) have been formed (between May 2000 and February 2002) by all departments of the Government except Information and Technology Department (against which no audit para is pending) under the chairmanship of the Departmental Secretary to monitor the follow up action on Audit Reports and PAC recommendations. However, as of September 2004 only three Departments of Government i.e. Commerce (three meetings), Higher Education (one meeting) and Water Resources (one meeting) held DMC meetings.

Apex Committee

An Apex Committee has been formed (December 2000) at the State level under the Chairmanship of the Chief Secretary to review the action taken by the DMCs till September 2004, Apex Committee met only once in February 2002.

Review Committee

A Review Committee has been formed (December 1992) comprising Principal Secretary, Finance Department, Principal Accountant General (Civil Audit)/ Accountant General (Commercial, Works and Receipt Audit) and Secretary to Government of the concerned Department to review the progress as well as adequacy of action taken on the Audit Reports and PAC recommendations in order to facilitate the examination of such Reports/recommendations by the Public Accounts Committee.

The Review Committee met on six occasions between June 2003 and December 2003. No meeting was held thereafter.

The matter was referred (October 2004) to the Government: their reply had not been received (October 2004).